

### WITH ALABAMA SMALL BUSINESSES PERMANENTLY CHANGED BY THE PANDEMIC, OWNERS LOOKING TO VACCINE-DRIVEN RECOVERY

**ANALYSIS BY**

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Alabama's economy experienced a significant contraction during the Viral Recession, losing 220,000 jobs between February and April, with the unemployment rate rising to 13.8% in April, well above the pre-pandemic low of 2.7%. The spring 2021 survey shows that small and medium-sized business owners in Alabama have faced challenges to stay open, but the majority expect the growing availability of vaccinations to have a positive impact on their sales.

Almost one-half of the small and medium-sized business owners surveyed reported lower profits in 2020 than in 2019. Most of the businesses surveyed consider the layoffs over the past year to be temporary. Many businesses nationwide have had to adopt new technologies as a result of the pandemic, including small and medium-sized businesses in Alabama. Just over one-half of the small and medium-sized business leaders surveyed received Paycheck Protection Program (PPP) funding in 2020 and slightly more than 90% of businesses have adopted new business technologies since the pandemic started. Results show that most small and medium-sized business owners feel more optimistic about their own company and their local economic recovery than about the national economic recovery.

Falling coronavirus cases, an increase in the pace of vaccinations, and anticipated fiscal stimulus will allow for more economic activity in Alabama in 2021. Although Alabama's economic growth will likely improve as the U.S. economy expands, performances will vary widely across the state. Overall, the pandemic has permanently changed operations for small and medium-sized businesses in Alabama, business owners are optimistic about the vaccine-driven recovery.

#### COVID-19 VACCINATIONS PROVIDE HOPE

Small and medium-sized business owners strongly support vaccinations for COVID-19 and plan to encourage their employees to get the shots, which are central to a return to normalcy, according to the latest PNC Alabama survey of small business owners.

Eight in 10 Alabama businesses with employees plan to encourage or require their workforce to vaccinate. A majority plan to require employees to get vaccinated, more than a quarter will provide assistance or education about vaccination and one in 10 plan to provide incentives to vaccinate.

#### VACCINATION PLANS

Any Action (NET)	80%
Require	57%
Assist/Educate	28%
Incentivize	11%

Two-thirds (65%) expect the growing availability of vaccinations to have a positive impact on their sales.

**FEELING SQUEEZED** More than two-thirds are facing challenges to stay in business and more than a third (36%) say they can only continue to operate in the current economic conditions for up to a year.



At the same time, over four in 10 report lower profits in 2020 compared to 2019. Looking forward, just over a third expect a profit increase in the next six months, down from more than half a year ago.

The anticipation of modest sales combined with profit pressure suggests Alabama small businesses will start feeling a "squeeze" in their operations.

**Alabama vs. United States:** Nationally, more than a third (38%) expect an increase in sales over the next six months. Three out of 10 (29%) anticipate rising profits.

Expectation for Next Six Months	Sales		Profits	
	Increase	No Change	Increase	No Change
	50%	43%	52%	36%
	42%	51%	41%	57%
	4%	5%	4%	6%
	Spring: 2020 2021 2020 2021			

#### MOST LAYOFFS CONSIDERED TEMPORARY

Two in 10 businesses reduced their workforce last year and while most are not anticipated to be permanent layoffs, rehiring will be a slow process. Of those who cut workers in the past year, more than eight in 10 (83%) consider it temporary or a furlough. Six in 10 (59%) said the cut impacted 25% or less of their workforce.

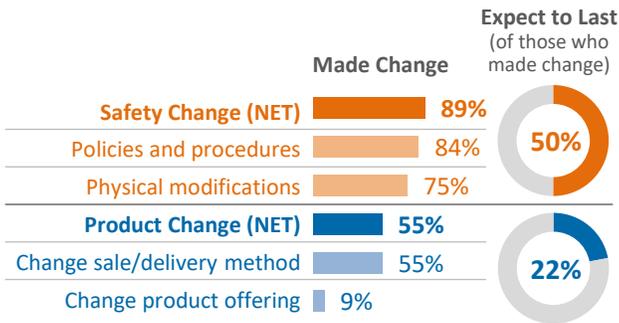
However, the survey measured a near record-low proportion of businesses expecting to increase the number of full-time employees (8%) in the next six months, down from two in 10 (20%) in spring 2020, just prior to the start of the pandemic in the U.S.

#### NEAR SURVEY-LOW HIRING EXPECTATIONS



## MANY ADAPTATIONS EXPECTED TO LAST

Nine in 10 (91%) Alabama business leaders report making adaptations to their business in response to COVID-19, including a vast majority implementing health and safety changes in the form of new policies and procedures or physical modifications. More than half (55%) business leaders made product-related changes, either in the way they sell or deliver products or services or what they offer. Half of those making safety changes and nearly a quarter of those making product adaptations expect they will be permanent.

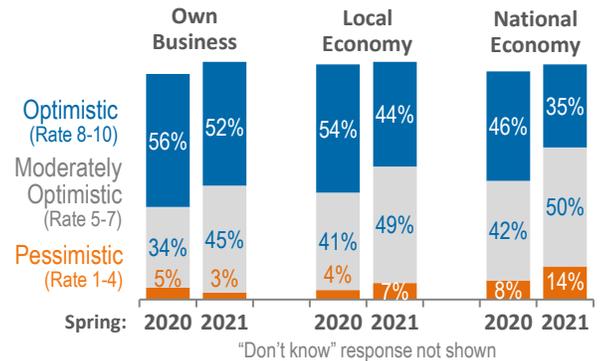


The least likely adaptation Alabama business leaders expect to become permanent is the shift to working from home, in response to the pandemic. Of the three in 10 businesses who adopted work-from-home practices last year, only a fraction (5%) anticipate the change to be long-lasting. Seven in 10 (69%) expect it to be temporary and a quarter (26%) are uncertain how long it will last.

## AHEAD OF THE CURVE

**Alabama vs. United States:** Nationally, three out of 10 are optimistic about both the national and local economies, and nearly four in 10 (38%) are optimistic about their own company's prospects.

Alabama small business owners' optimism about their own company is recovering more quickly than their feelings about the national and local economic recovery. Optimism about the U.S. economy and their local economies remains significantly lower than the levels recorded a year ago, just prior to the start of the pandemic. The portion optimistic about their own business is already approaching the pre-COVID-19 measure.



## PPP REMAINS CRITICAL FOR SURVIVAL

Half (51%) of Alabama business leaders say they received Paycheck Protection Program (PPP) funding in 2020; another 5% applied but did not receive the funding, while the remainder of businesses did not apply. More than eight in 10 of those who received a PPP loan considered it extremely important.

More than seven in 10 (72%) recipients have already applied for loan forgiveness; about one in 10 (8%) don't expect to apply for forgiveness.

More than four in 10 business leaders consider obtaining a new 2021 PPP loan extremely important for their business.



## TECHNOLOGY LIFELINE

Nearly six in 10 Alabama business leaders (58%) report increased use of one or more business technologies since the COVID-19 crisis began. Nearly half applied new technologies to improve the sales process in the form of electronic or touchless payment systems or electronic/website-enabled sales. Almost two in 10 have increased use of fraud or identity protection tools.

